

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Two)

Docket No. RM2018-5

PUBLIC REPRESENTATIVE REPLY COMMENTS

(August 15, 2018)

I. BACKGROUND

The Postal Service provided its reply comments on August 2, 2018.¹ The Postal Service indicated that the purpose of its filing was to address the comments of the United Parcel Service (UPS) and the Public Representative.² *Id.* at 1. The Commission issued an order granting the Postal Service's motion for leave to file reply comments and set August 15, 2018 as the deadline for reply comments by any interested parties.³ The Public Representative hereby files these reply comments pursuant to Commission Order No. 4748.

¹ Reply Comments of the United States Postal Service Regarding Proposal Two, August 2, 2018 (Postal Service Reply Comments). See also Motion of the United States Postal Service for Leave to File Reply Comments Regarding Proposal Two, August 2, 2018. In conjunction with the reply comments, the Postal Service filed a library reference presenting coefficients of variation (CVs) for the cost estimates, which were not available at the time of the initial filings. See Notice of the United States Postal Service of the Filing of USPS-RM2018-5/4, August 2, 2018.

² See Comments of the Public Representative, July 26, 2018 (Public Representative Comments); Comments of United Parcel Service, Inc. on Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Two), July 26, 2018 (UPS Comments).

³ Order Granting Motion for Leave to File Reply Comments, August 8, 2018 (Order No. 4748).

II. PROPOSED IOCS-CLUSTER STATISTICAL DESIGN

The Public Representative contends that in large zones, a sample size of six carriers will not be sufficient to reflect the population of carriers.⁴ In response, the Postal Service admits that “no particular sample draw will . . . be perfectly reflective of the carriers for the sampled zone.” Postal Service Reply Comments at 3. However, the Postal Service maintains that “random selection ensures that the samples will not systematically over- or under-represent various characteristics of the carrier populations.” *Id.* The Public Representative disagrees.

The practical application of random sampling techniques depends heavily on the purpose for which the techniques are being used. For instance, if we have six lucky tickets and need to determine the winners we can randomly select six names from a black box containing n names in total. The probability of winning would be $6/n$.

The probability of selecting a particular individual carrier in a large zone on the second stage of the proposed IOCS design is also $6/n$. *Id.* However, this is the only similarity to the example provided above because the goals of sampling are different in each case. In the above example, after randomly selecting six names we identify the winners and fulfill the goal. For Proposal Two, the random selection of six carriers from a large zone simply provides the base for obtaining readings.

In the proposed IOCS-cluster design, the Postal Service does not sample carriers in all zones; it samples carriers in randomly selected zones only. In small zones (with five or less routes), the Postal Service will survey carriers from each route in a selected zone, and the obtained set of readings would likely reflect the actual data. The same conclusion cannot be reached for large zones, which constitute the majority (67 percent) of all zones in Delivery Operations Information System (DOIS).⁵ It is very doubtful that mail mix data obtained from six carriers on six routes would accurately

⁴ See Public Representative Comments at 11.

⁵ This percentage is provided in Responses to CHIR No. 1, question 10.

reflect the actual mail mix in a zone with substantial number of routes (e.g., with 50-74 routes). However, if the set of readings obtained in the large zones were not reflective of the actual data in those zones, it is very unlikely (if not impossible) that the sampled data obtained from all readings across all zones and all reading times would be representative of the population.⁶

The Public Representative has performed additional analysis to investigate concerns regarding inaccuracy of the cost estimates obtained using the proposed IOCS design. As shown in Table 1, the impact of Proposal Two on office and street costs of the different products is not only substantial, but also inconsistent in Q4 of FY 2017 and Q1 of FY 2018. For some products, the impact on costs in Q4 of FY 2017 and Q1 of FY 2018 goes in opposite directions (*i.e.* costs increase in one quarter and decrease in the other quarter or costs remain almost the same in one quarter and change significantly in the other quarter). The Public Representative believes that the observed variations in cost impacts by quarter are due to the sampling issues discussed above and in the initial comments. The Public Representative concludes that there is no valid justification for the major change in costs for different products that results from Proposal Two.

⁶ The Public Representative therefore reiterates the proposition that under Proposal Two, bootstrapping method might not be a valid tool for estimating CVs.

Table 1: Impact of Proposal Two on Total Office and Street Cost (in %). ⁷

	Q4 FY2017	Q1 FY2018
DOMESTIC MARKET DOMINANT PRODUCTS		
First-Class Mail		
Single-Piece Letters	-17%	-20%
Single-Piece Cards	-8%	-12%
Presort Letters	-14%	-7%
Presort Cards	12%	22%
Single-Piece Flats	1%	14%
Presort Flats	-2%	-19%
Parcels	21%	N/A
Total First-Class Mail	-13%	-12%
USPS Marketing Mail		
High Density and Saturation Letters	12%	11%
High Density and Saturation Flats/Parcels	10%	10%
Every Door Direct Mail-Retail	11%	11%
Carrier Route	17%	6%
Letters	0%	1%
Flats	-4%	-19%
Parcels	-8%	-9%
Total USPS Marketing Mail	4%	0%
Periodicals		
In County	32%	-17%
Outside County	13%	22%
Total Periodicals	14%	19%
Package Services		
Bound Printed Matter Flats	52%	88%
Bound Printed Matter Parcels	55%	25%
Media/Library Mail	37%	0%
Total Package Services	51%	32%

Source: Library Reference USPS-RM2018-5-2, folder "PublicWorkbooks_ChIR1," excel files "CS06&7-F17Q4-CurrentwithProp5," "CS06&7-F17Q4IOCSClusterv2," "CS06&7-F18Q1-CurrentwithProp5," "CS06&7-F18Q1IOCSClusterv2," worksheet "Outputs to CRA."

⁷ The impact on product costs would be slightly different if it were calculated using data from USPS-RM2018-5/NP5 (which incorporates the use of PTR data and reflects changes in final adjustment). The observed differences are usually within 1 percent and do not alter the Public Representative's conclusions derived from data presented in Table 1.

III. SUNDAY/HOLIDAY DELIVERY COSTS

The Postal Service confirms that it will be using “scan data from [Postal Tracking and Reporting (PTR)] in the actual implementation” of Proposal Two. Postal Service Reply Comments at 9. The Public Representative has reviewed the Postal Service’s estimates of cost impacts on competitive products that incorporate the PTR distribution and reflect the changes in final adjustment. See USPS-RM2018-5/NP5. The Public Representative concludes that the proposed methodology for attributing city carrier costs accrued on Sundays/holidays is an improvement over the current methodology. However, the Public Representative agrees with UPS that the methodology for the final adjustment is neither well-documented nor transparent. UPS Comments at 9-10. The Public Representative also suggests the Postal Service perform routine cleaning of its databases to ensure that data related to Sunday/holiday delivery is neither excluded nor incorrectly recorded.⁸

IV. CONCLUSION

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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⁸ The issues related to inaccuracies in the Postal Service’s data records were discussed by the Public Representative and UPS in the initial comments. See Public Representative Comments at 17; UPS Comments at 7-9.